



MINUTES

Meeting called to order at 9am

Board Members Present: Tim Burgess, Chair, Robert Harvey, Rod Rich, David Stewart, Lou Walter, Glen Lee

Board Members Absent: Jean Becker

Staff Present: Cecelia M. Carter, SCERS Executive Director, Mike Akiyama, SCERS; Tony Smith, SCERS; Ben Kalman, SCERS; Beverly Yapp, SCERS; Lisa Carns, SCERS; Carlton Seu, Seattle City Attorney's Office

Others Present: Mike Monaco, Song Mondress Law Firm; John McCoy, Legislative Department; Steve Kovac, Seattle City Light; Tom Kirn, Finance and Administration Services; George Emerson, Finance and Administration Services; Judith Flemings, ARSCE; Diana Douglas, Local 17; John Masterjohn, Retiree; Jim Taylor, ARSCE; Mike Quinn, SPD; John Masterjohn, Retiree; Edie Jorgensen, ARSCE; Kellie Craine, Finance and Administration Services; Melina Thung, SPU; Nate VanDuzer, Legislative Department; Katrina Kelly; City Attorney's Office; Neil Rue, Pension Consulting Alliance.

Public Comment: Judith Flemings from ARSCE followed up on a letter dated February 22, 2012 that was given to the Board regarding deceased members. Ms. Flemings is requesting the Board reconsider providing information about the retiree's death. ARSCE requested that SCERS staff provide the name, age at death, department from which member retired, and date of death.

Mr. Mike Quinn from SPD requested that the Board consider offering "Seattle Shares" to retired members. The Board acknowledged his request and asked staff to research capabilities.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet were the minutes from the February 9, 2012 Retirement Board Regular Meeting.

Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals

Service	\$9,670,401.43
Beneficiary	\$894,645.04
Disability	\$77,753.47
Pension Payroll – PPE February 29, 2012	\$10,642,799.94
 Office Payroll – PPE January 3, 17 and 31, 2012	 \$102,744.66
 Vouchers Processed – January 31, 2012	 \$760,128.95
*Expert and Consultant Services – \$0.00	
*Investment Management Fees – \$727,464.71	
*Interdepartmental Charges - \$15,968.33	
*Miscellaneous - \$16,695.91	

Immediate Withdrawals of Contributions for the month of February 2012:

Member	Department Name	Position
Simes, Sharon D	Library	Librarian
Thompson, Mary Ann	HSD	CounsItr
Kragt, Paul E	Seattle Center	Laborer
Akyuz, Katherine Anne	Parks	Plan & Dev Spec I
Matlock, Vanessa	SPU	Utility Acct Rep I
Pailca, Sandra K	Police	Exec 3
Taylor, Katrice N	HSD	Edu Asst
Smith, Renee T	KC Health	Soc Service Spec

Member	Department Name	Position
Arreola, Lisa M	Parks	Rec Coord
Neubauer, Steven D	Retirement	Accountant
Lair, Cheryl	Police	Manager 2

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$523,263.05

Ratification of Service Retirements for the month of February 2012

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Blumer,Ruth Anna E	1/24/2012	1	48	Vested	Portability	76
Hayashi,Ray Y	1/7/2012	40	30	Metro Transit	Equipment Dispatcher	74
Maguddayao,Petronio	1/18/2012	33	272	City Light	Strut Pntr CC	65
Dolphin,Jacqueline M	1/27/2012	11	266	Vested	Vested	63
Beaver Sr,James E	1/7/2012	10	108	SDOT	Maint Laborer	66
Barnett,Katherine A	1/13/2012	30	0	FAS	Sr Claims Adjuster	61
Boman,Janice M	1/7/2012	23	343	City Light	Strat Advisor 2	54
Gibbs,Mark R	1/18/2012	26	345	DPD	Elect Insptr Supv	61
Kerr,Uinins E	1/10/2012	26	210	Library	Custodian	66
Drake,Barbara E	1/18/2012	26	155	Parks	Rec Center Coord Asst	54
Seaton,William A	1/10/2012	21	48	Parks	Human Svcs Coord	62
Ross,William J	1/28/2012	18	262	Vested	Vested	57
Sarkadi-Nagy, Lagos	1/24/2012	12	150	FAS	Elctrn	72
Gratton,Nancy K	1/7/2012	11	84	Police	Admin Spec II - BU	66
Kusnadi,Sugiana	1/7/2012	10	132	Parks	Acct Tech II - BU	57

For the month of February: 43 new Members entered the System, 22 terminations, 15 Members retired in the System, 17 Members removed (\$25,209.31), 1 Option D/E continuations, and 3 Option F.

Bob Harvey arrived at 9:10am

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Retirement Board approved the below items contained in the Administrative Consent Agenda.
Minutes of the February 9, 2012 Board Meeting
Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
Ratification of Service Retirements for the month of February 2012

Investment Consent Agenda

Investment Committee Report

Ms. Carter announced that the Investment Committee met on February 23, 2012 at 12 noon at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Lou Walter, Chair; Bob Harvey, Member; Glen Lee, Member; Rod Rich; Member; David Stewart. Other Board members present: Tim Burgess, Board Chair. Advisory Board Members present: Paul Maffeo, John Comerford, Joseph Boateng via phone. Staff Present: Cecelia Carter, SCERS Executive Director; Tony Smith, SCERS staff; Ben Kalman, SCERS staff; Mike Akiyama, SCERS staff; Beverly Yapp, SCERS staff; Lisa Carns, SCERS staff; Selam Teklemariam, SCERS staff. Pension Consulting Alliance staff present: Christy Fields, Tad Fergusson, David Sancewich, and Jeremy Thiessen.

Investment Summary Accounting Report:

Provided in the Retirement Board packet was the Investment Summary report that represents the transaction summary and the market value of the investments as of January 31, 2012. Ms. Carter reported for the month of January 2012, the SCERS Total Portfolio had a total plan value of \$1.83 billion. The marked to market funded ratio for the plan was 63.18%. During the month the plan received distributions of \$1.29 million.

Investment Portfolio Performance Report 4th Quarter 2011

Ms. Carter, SCERS Executive Director reported that PCA gave an overview of SCERS Portfolio Performance Report for 4th Quarter 2011. SCERS total portfolio had an aggregated value of \$1.8 billion as of December 31, 2011. The total portfolio matched the policy benchmark's 4.8% return for the quarter. This represents a \$73.3 million increase in value over the last quarter. During the latest one-year period ended December 31, 2011, the overall portfolio had a -0.0% return (less than 1%).

Real Estate Performance Report 2nd Quarter 2011

Ms. Carter reported that PCA gave an overview of SCERS Real Estate Portfolio as of June 30, 2011. SCERS Real Estate Portfolio had a net asset value of \$187.6 million. This is an increase in value of \$6.6 million, or 3.7% from the first quarter 2011. As of June 30, 2011, the SCERS Core Portfolio, on a gross of fees basis, outperformed the benchmark (NFI-ODCE) for all periods under review. The Non-core Portfolio, on a gross of fees basis, underperformed the benchmark (NFI-ODCE) for all periods under review.

Non-US Equity Structural Recommendation

SCERS staff provided an overview to the Board. PCA reported at the Investment Committee meeting on February 23rd that the Committee approved PCA's recommendations to restructure its Non-US Equity Portfolio at the January 26, 2012 meeting. The recommended changes are:

- Adopt the MSCI ACWI World ex-US IMI as the policy benchmark for the aggregate Non-US Equity class.
- Adjust the actual SCERS portfolio to align its allocations to small cap companies and emerging markets so they are consistent with the new policy benchmark. Implementing this change will require SCERS staff to (1) seek to conduct a search for new dedicated active emerging markets managers and (2) reduce the actual portfolio's current allocation to the DFA International Small Cap account to be equivalent to the policy benchmark's allocation to small companies.
- Restructure the developed markets segment of the actual portfolio. This will require SCERS staff and PCA to conduct a developed markets manager search. Both active and passive mandates will be explored under this specific search.

These structural recommendations will be incorporated into the SCERS Investment Policy with recommendation and approval from the Investment Committee and SCERS Board.

Updated Investment Policy

Ms. Carter reported that staff has been updating and making additions to the Investment Policy. Ms. Carter introduced Mr. Neil Rue, with Pension Consulting Alliance to the Board. Mr. Rue recommends that the Board approve the inclusion of hedge funds in the policy. There was dialogue between the Board and Staff.

<u>Motion:</u>	Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board accepted and approved the items contained in the Investment Consent Agenda. 4 th Quarter 2011 Investment Portfolio Performance Report 2 nd Quarter 2011 Real Estate Performance Report Approval of the Non-US Equity Structural recommendations presented by PCA Updated Investment Policy
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Executive Director Report:

Disability Modification Ordinance

Ms. Carter reported SCERS Management Staff recommends the Board of Administration to authorize SCERS Executive Director to request consideration from City Council to modify the Seattle Municipal Code relating to disability retirement and temporary disability retirement. The modification would eliminate the pre-existing condition provision which currently is in place.

<u>Motion:</u>	Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board approved the Executive Director to issue a letter to City Council requesting a modification to the Disability and Temporary Disability Retirement provisions in the Seattle Municipal Code.
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Credit Interest Declaration

Ms. Carter reported that at the October 5, 2011, Board of Administration meeting, the Board adopted a Credit Interest Statement which outlined the method it would use to determine the rate of interest to be declared and credited to Members' account balances for the succeeding calendar year. SCERS Management recommends a revision to the language adjusting the

method used to determine the rate of interest. The Board will determine the rate of interest paid to the extent practicable on an annual basis. The Board will adopt the interest rate each year to be effective the following year at the July Board meeting.

Trustee Election Update

Ms. Carter provided an overview of the Trustee Election Process for 2012. Seat A is an active seat for a three year term and Seat B (special election) is an active seat for a one year term. The special election is required because of the appointment of Jean Becker to fill part of the term of the seat originally held by Lou Walter. Mr. Walter was elected to serve the active seat term of 2010-2013. However, in 2010 Mr. Walter's status as a member of SCERS changed from active to retired. Mr. Walter ran for and won the election for the retiree seat in 2011. Ms. Becker was appointed by the City Council to serve on the Board until the next scheduled election. The nomination period is April 5th at 8am to April 11th at 5pm.

Motion: Upon motion by Glen Lee, seconded by Bob Harvey, the Retirement Board approved the 2012 Trustee Election process. Rod Rich abstained from vote.

Dashboard Reporting – 12/31/2011

Mr. Smith and Mr. Akiyama of SCERS staff presented reports to the Board. The reporting included a summary of investment activity, operations data and costs.

Ms. Becker proposed to the Board that a section be added to the Dashboards to include membership service goals and priorities for members, tracking of performance outcomes, and setting customer service benchmarks. Dialogue between Board and SCERS staff pursued. It was agreed that at the May Board meeting staff would report on "Performance Outcomes".

Status of Benefit Enhancements:

Information: The estimated current funding level of the Retirement Fund is 63.18% as of January 31, 2012 on a marked-to-market basis.

The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

The Board reserves the right to enter into executive session if necessary

The Board entered into executive session to discuss a Personnel matter and Litigation matter from 10am to 10:20am. At 10:20am, Mr. Seu and Ms. Carter announced that the Board will be in executive session until 11am.

Executive session ended at 11am. No action taken.

Adjournment:

Motion: Upon motion by Rod Rich, seconded by Bob Harvey, the Retirement Board voted to adjourn the meeting at 11 am.

David L. Stewart, Secretary